

Message Text

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 8084

C O N F I D E N T I A L LIMA 10438

FOR L/ARA - MR. GANTZ; S/P - MR. EINAUDI; ARA - MR. ROGERS;
EB - MR. SMITH; TREASURY - MR. MARESCA

E.O. 11652: GDS

TAGS: EIND, EINV, ENRG, PFOR, PE

SUBJECT: GULF EXPROPRIATION

REF: A) STATE 295177; B) LIMA 10042

1. GULF LA MARKETING MANAGER CRITCHLOW, ACCOMPANIED BY MR. CECIL AND GULF LAWYER, MR. MENSCH, CALLED ON AMBASSADOR DECEMBER 17. CRITCHLOW SAID THAT CECIL WAS INFORMED LAST FRIDAY BY MINISTRY OF ENERGY AND MINES (MEM) LAWYER CESAR DELGADO THAT THE GOP WILL PREPARE AN OFFICIAL EVALUATION OF GULF'S ASSETS FOR PRESENTATION TO GULF DURING FIRST TWO WEEKS OF JANUARY. DELGADO NOTED THAT GOP'S AUDITORS HAVE TENTATIVELY AND UNOFFICIALLY ACCEPTED GULF'S NET BOOK VALUE OF APPROXIMATELY \$1.6 MILLION (69,317,000 SOLES), BUT REJECTED (AS NOTED REF A) COMPENSATION FOR FOREGONE FUTURE PROFITS.

2. CRITCHLOW EXPLAINED THAT HE WILL BE CALLING ON DELGADO TODAY AND WILL PRESENT FOLLOWING ELEMENTS OF A SETTLEMENT PACKAGE FOR GOP'S CONSIDERATION: A) GULF WOULD PREFER PAYMENT FOR NET BOOK VALUE IN DOLLARS DIRECTLY OR, FAILING THAT, IN SOLES AT THE FORMER DRAFT EXCHANGE RATE OF 43.38 SOLES PER DOLLAR WITH A GUARANTEED RIGHT TO REPATRIATE THE DOLLARS IMMEDIATELY; B) MECHANISMS
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FOR FURTHER ONGOING RELATIONSHIPS WITH GOP (NOT SPECIFIED);

C) SUGGESTION THAT PETROPERU ACCEPT FURTHER RELATIONSHIP WITH GULF TO FURNISH IT WITH CRUDE AND/OR CARGOES OF FUEL OIL. (CRITCHLOW NOTED THAT PETROPERU HAS ALREADY SAID THAT ANY DIRECT TIES WITH GULF ARE NOT LIKELY AND THAT ANY SUCH ARRANGEMENT WOULD HAVE TO BE THROUGH A THIRD PARTY); D) CONTINUING OF PRESENT ONGOING ARRANGEMENT WITH PETROPERU'S PURCHASING AGENCY IN HOUSTON WHICH IS BUYING SPECIAL LUBRICANT OILS; E) SUGGESTION THAT GOP PERMIT A LOCAL PERUVIAN TO MARKET GULF LUBRICANT OILS (WITH GULF TRADEMARK) IN PERU.

3. CRITCHLOW SAID THAT GULF PREFERS TO WAIT UNTIL JANUARY TO RECEIVE GOP'S ANSWER IN ORDER TO HAVE TIME TO FULLY EVALUATE ITS BOOKS AND OPTIONS AVAILABLE TO IT. AFTER DISCUSSION WITH THE AMBASSADOR, CRITCHLOW SAID THAT GULF WILL MAKE ITS PRESENTATION IN LOW-KEY MANNER, WITHOUT REFERENCE TO POTENTIAL SANCTIONS, WHICH WE EXPLAINED ARE ALREADY FULLY UNDERSTOOD BY PERUVIAN SIDE. HE EMPHASIZED THAT KEY FEATURE IS PAYMENT OF NET BOOK VALUE AND CONSIDERATION OF SOME FORM OF ONGOING RELATIONSHIP.

4. CRITCHLOW SAID HE REALIZES POLITICAL PROBLEMS FOR GOP IN PUBLICLY ACCEPTING ONGOING RELATIONSHIP, PARTICULARLY SINCE THE DECREE LAW SPECIFICALLY FORBIDS ANY DIRECT OR INDIRECT RELATIONSHIP BETWEEN PERUVIAN GOVERNMENT AND GULF. IN REGARD TO GULF'S 1968 OPERATING LOAN TO PETROPERU, CRITCHLOW NOTED THAT PETROPERU HAS BEEN REPYYING THE LOAN INSTALLMENTS ON TIME AND THAT THE OUTSTANDING AMOUNT TO BE REPAID IS NOW DOWN FROM \$4.2 MILLION AT THE TIME OF EXPROPRIATION TO \$2.4 MILLION.

5. COMMENT: CRITCHLOW SPECIFICALLY ASKED THE AMBASSADOR WHETHER IT WOULD BE USEFUL TO INVOKE THREAT OF SANCTIONS AND NAME OF USG WITH PERUVIANS AT THIS TIME. AMBASSADOR TOLD HIM THAT SUCH ACTION WOULD BE PREMATURE NOW AND WOULD UNDOUBTEDLY ONLY SERVE TO STIFFEN PERUVIANS, PARTICULARLY IN LIGHT OF FACT THAT GOP APPEARS READY TO ACCEPT GULF'S OWN FIGURES ON THE EVALUATION OF ITS NET BOOK VALUE. CRITCHLOW AGREED. IT APPEARS THAT
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GULF IS RELATIVELY SANGUINE ABOUT THE POSSIBILITY OF AN ONGOING RELATIONSHIP, WHICH PETROPERU MIGHT ALSO SUGGEST IF DIRECT PUBLIC IDENTIFICATION WITH THE COMPANY COULD BE AVOIDED. WE DOUBT THAT THE GOP WOULD BE PREPARED TO ACCEPT SALES OF GULF LUBRICANT PRODUCTS (WITH GULF SYMBOL) IN PERUVIAN MARKET, BUT MIGHT BE WILLING TO CONSIDER OTHER LESS VISIBLE ARRANGEMENTS. CRITCHLOW AND CECIL BOTH

PRAISED INTELLIGENCE AND GOOD WILL OF DELGADO,
WHOM THEY FEEL UNDERSTANDS GULF'S VIEWS AND
RAMIFICATIONS OF THE PROBLEM. CECIL SAID HE WILL
INFORM US OF OUTCOME OF DISCUSSIONS ASAP.
DEAN

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